

Idaho Legislative Audits
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Idaho Department of Insurance

Management Report on Internal Control

Issued: August 29, 2005
Fiscal Year: 2002, 2003, and 2004



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO DEPARTMENT OF INSURANCE

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Idaho Department of Insurance's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Department's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. We noted no matters involving the internal control over the Department's financial reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

FINDINGS AND RECOMMENDATIONS. There are no the findings and recommendations in this report or in the prior report.

AGENCY RESPONSE. The Department has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. Premium tax collections provide a significant amount of revenue to the State General Fund. Total premium tax transfers to the General Fund for fiscal year 2004 were \$64,168,730. Additional transfers included \$5,190,602 to the High Risk Individual Reinsurance Pool, \$4,714,568 to the Insurance Refund Account, \$4,001,053 in premium taxes on fire insurance policies to the State Retirement Fund for Firemen, \$2,690,602 to the Health Insurance Access Card Fund, and \$13,287 for insurance insolvency expenditures.

The Department has two programs – Insurance Regulation and the State Fire Marshal. These programs are administered using five funds summarized in the following schedule. The Federal Fund is used to administer two federal grants. The Senior Health Insurance Benefits Advisors Grant (SHIBA) partially funds efforts to advise Idaho's senior citizens regarding health insurance questions. The Medicare Watch Grant, received from the Idaho Commission on Aging, pays for Medicare billing advisory services provided to Idaho senior citizens. Disbursements for fiscal year 2004 included personnel costs of \$3,701,800, operating costs of \$6,674,000, capital outlay costs of \$94,800, and trustee and benefit payments of \$9,084,800.

Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

IDAHO DEPARTMENT OF INSURANCE – FINANCIAL SUMMARY

Fiscal Year 2002

Fund No.	Title	Beginning Cash Balance	Plus		Less		Ending Cash Balance
			Receipts	Transfers In	Disbursements	Transfers Out	
0229-10	Administrative Fund	\$6,654,479.87	\$71,916,521.18	\$0.00	\$4,841,325.24	\$67,550,072.02	\$6,179,603.79
0229-11	Arson, Fire, and Fraud Prevention Fund	1,218,792.87	824,692.78	0.00	773,969.12	0.00	1,269,516.53
0229-13	High Risk Individual Pool Fund	0.00	0.00	2,388,849.69	2,388,849.69	0.00	0.00
348	Federal Fund	0.00	160,388.00	0.00	159,039.62	0.00	1,348.38
349	Miscellaneous Revenue Fund	5,000.00	36,160.71	2,278.99	40,076.40	0.00	3,363.30
515	Refund Fund	40,000.00	0.00	5,294,367.01	5,272,680.29	21,686.72	40,000.00
520	Liquidation Fund	4,621,567.04	2,753,080.62	0.00	116,874.51	0.00	7,257,773.15
523	Insolvency Fund	100,000.00	0.00	0.00	0.00	0.00	100,000.00
	Total	\$12,639,839.78	\$75,690,843.29	\$7,685,495.69	\$13,592,814.87	\$67,571,758.74	\$14,851,605.15

Fiscal Year 2003

Fund No.	Title	Beginning Cash Balance	Plus		Less		Ending Cash Balance
			Receipts	Transfers In	Disbursements	Transfers Out	
0229-10	Administrative Fund	\$6,179,603.79	\$77,806,162.97	\$0.00	\$4,612,725.83	\$71,774,777.39	\$7,598,263.54
0229-11	Arson, Fire, and Fraud Prevention Fund	1,269,516.53	797,452.44	0.00	753,754.13	0.00	1,313,214.84
0229-13	High Risk Individual Pool Fund	0.00	0.00	3,640,746.50	3,640,746.50	0.00	0.00
348	Federal Fund	1,348.38	154,929.00	0.00	154,800.00	0.00	1,477.38
349	Miscellaneous Revenue Fund	3,363.30	40,830.67	0.00	39,290.23	0.00	4,903.74
515	Refund Fund	40,000.00	0.00	5,366,762.38	5,127,393.22	239,369.16	40,000.00
520	Liquidation Fund	7,257,773.15	607,153.51	0.00	169,010.27	0.00	7,695,916.39
523	Insolvency Fund	100,000.00	0.00	220.37	220.37	0.00	100,000.00
	Total	\$14,851,605.15	\$79,406,528.59	\$9,007,729.25	\$14,497,940.55	\$72,014,146.55	\$16,753,775.89

Fiscal Year 2004

Fund No.	Title	Beginning Cash Balance	Plus		Less		Ending Cash Balance
			Receipts	Transfers In	Disbursements	Transfers Out	
0229-10	Administrative Fund	\$7,598,263.54	\$84,312,653.93	\$0.00	\$4,795,737.92	\$79,955,816.02	\$7,159,363.53
0229-11	Arson, Fire, and Fraud Prevention Fund	1,313,214.84	836,432.96	0.00	769,997.17	0.00	1,379,650.63
0229-13	High Risk Individual Pool Fund	0.00	0.00	5,190,602.00	5,190,602.00	0.00	0.00
348	Federal Fund	1,477.38	164,100.00	29,370.12	165,500.00	29,370.12	77.38
349	Miscellaneous Revenue Fund	4,903.74	50,707.88	0.00	50,868.66	0.00	4,742.96
	Refund Fund	40,000.00	0.00	4,714,567.99	3,891,541.63	823,026.36	40,000.00
520	Liquidation Fund	7,695,916.39	5,613,285.16	0.00	4,678,054.17	0.00	8,631,147.38
523	Insolvency Fund	100,000.00	0.00	13,287.05	13,287.05	0.00	100,000.00
	Total	\$16,753,775.89	\$90,977,179.93	\$9,947,827.16	\$19,555,588.60	\$80,808,212.50	\$17,314,981.88

The ending balance on June 30, 2004 in Fund 0520 contains \$4,042,426.48 in investments with the State Treasurer's Office.

ADDITIONAL INFORMATION. The Idaho High Risk Individual Reinsurance Pool, established by Idaho Code, Section 41-55, is used to pay the costs associated with providing health insurance coverage to high risk individuals, regardless of health status or claims experience. The pool operates subject to the supervision and control of a ten-member board appointed by the director of the Department of Insurance. The director serves as an ex official member of the board. The Department paid \$2,388,850, \$3,640,747, and \$5,190,602 to the pool for fiscal years 2002, 2003, and 2004, respectively.

OTHER ISSUES. We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Department of Insurance and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by director, Gary Smith, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC28004

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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